



STATE OF WASHINGTON

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OLYMPIA, March 19, 2003 --- Though revenue collections since November have exceeded the previous forecast, the discrepancy is due to a few non-recurring items and a hot real estate market. Revenue Act revenues are barely higher than last year's depressed levels. The outlook for the remainder of this biennium and next biennium now appears weaker than assumed in November for a variety of reasons including the likely war and its aftermath, higher energy costs, and a weak labor market. Mortgage refinancing activity, which has supported consumer spending, will slow soon as will the hectic real estate market. As a result, the March revenue forecast is \$201.5 million lower than projected last November.

The March 2003 General Fund-State revenue forecast for the 2001-03 biennium is \$21,163.0 million. The \$36.8 million upward revision was more than accounted for by a \$43.3 million variance in collections, which were boosted by non-recurring special factors and a surge in real estate excise tax revenue. The underlying trend in revenue remains weak. The March revenue forecast for the 2003-05 biennium of \$22,451.5 million is \$238.3 million (1.1 percent) lower than the November forecast. The bottom line is a net reduction of \$201.5 million for the two biennia combined.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 and 2003-05 biennia. The forecast based on more optimistic economic assumptions netted \$98 million (0.5 percent) more revenue than did the baseline forecast in the current biennium while the pessimistic scenario was \$121 million (0.6 percent) lower. The optimistic forecast for the upcoming biennium was \$863 million (3.8 percent) higher than the baseline forecast while the pessimistic alternative was \$1,210 million (5.4 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$2 million (0.0 percent) less revenue than did the baseline forecast in the 2001-03 biennium but \$7 million (0.0 percent) more in the 2003-05 biennium.

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